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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:)	In Chapter 7 Proceedings
)	
ALEXANDER PAPAKYRIAKOU,)	
ROXANE J. PAPAKYRIAKOU,)	Case No. 2:11-BK-00003-CGC
)	
Debtors.)	
_____)	
)	
PAPAS INVESTMENT)	
LIMITED PARTNERSHIP;)	
)	
Debtor.)	
_____)	
)	
DAVID A. BIRDSSELL, TRUSTEE,)	Adversary No. 2:12-AP-227
)	
Plaintiff,)	
)	
v.)	
)	
ALEXANDER PAPAKYRIAKOU,)	
ROXANE J. PAPAKYRIAKOU,)	
)	
Defendants.)	
_____)	

COMPLAINT

David A. Birdsell ("Birdsell"), as trustee of the bankruptcy estate of Alexander Papakyriakou and Roxane J. Papakyriakou, Bankruptcy Case No. 2:11-BK-00003-CGC, for his Complaint, says as follows:

1. Birdsell is the duly appointed trustee of the bankruptcy estate of Alexander Papakyriakou and Roxane J. Papakyriakou, Bankruptcy Case No. 2:11-BK-00003-CGC (collectively "debtors"). This bankruptcy

1 case was commenced as a voluntary proceeding under Chapter 7 on January
2 2, 2011.

3 2. This Court has jurisdiction of this matter pursuant to 28
4 U.S.C. §157(b) (2). This is a core proceeding.

5 3. Gregory Neal Papakyriakou ("Greg") is the son of the
6 debtors. Greg is an insider as that term is defined in 11 U.S.C.
7 §101(31).

8 4. Marc Robert Papakyriakou ("Marc") is the son of the
9 debtors. Marc is an insider as that term is defined in 11 U.S.C.
10 §101(31).

11 5. During 2007, the debtors' financial affairs began a
12 downward spiral. For example, due to a downturn in the economy, the
13 debtors reported that they were forced to sell off jewelry worn by
14 Roxane Papakyriakou to pay ongoing business expenses. At the same
15 time, the debtors reported that they had fake jewelry manufactured for
16 Roxane Papakyriakou to wear to maintain the appearance of financial
17 success.

18 6. On or about October 10, 2007, the debtors received a 17
19 page letter from attorneys representing investors in various real
20 estate projects operated by the debtors outlining a variety of insider
21 transactions regarding those investments and demanding information
22 regarding those investments and the transactions. By November 15,
23 2007, the information demanded had not been provided by the debtors and
24 the investors advised of their intent to proceed with litigation. By
25 February 21, 2008, the investors had filed a complaint with the
26 Maricopa County Superior Court.

7. On March 11, 2008, a promissory note owed to Security Pacific Bank, which was guaranteed by the debtors, went into default.

8. On March 25, 2008, two more promissory notes owed to Security Pacific Bank, which were guaranteed by the debtors, went into default.

9. On April 1, 2008, a promissory note owed to Sterling Savings, which was guaranteed by the debtors, matured and went unpaid.

9.A. On May 22, 2008, additional investors in real estate projects operated by the debtors sent a 10 page demand letter outlining a variety of claims against the debtors due to fraud, insider transactions and other misconduct of the debtors.

10. On June 14, 2008, a promissory note owed to Stearns Bank, which was guaranteed by the debtors, matured and went unpaid.

11. Not later than May 12, 2008, the debtors began to dispose of their assets. The following transfers occurred:

A. From an entity they owned and controlled, Papas Investment Limited Partnership ("PILP"), the debtors wrote a check for \$10,000.00 to make a deposit for the purchase of a house at 4041 E. Cortez, Phoenix, AZ (the "Cortez house"). At closing, the house was titled in the name of Cobe Associates, LLC ("Cobe"), an entity ostensibly owned by Alex Papkyriakou's sister, Xanthipi Papakyriakou ("Xanthipi") who lives in South Africa. The debtors, along with Greg and Marc (when they are home from college) now live in that house.

B. On June 20, 2008, the debtors transferred \$369,000.00 from PILP to Chicago Title to close the purchase of the Cortez house.

1 C. On June 30, 2008, the debtors transferred their
2 house in Paradise Valley, and all of its contents, to Cobeia. The
3 debtors then, ostensibly, leased back the house and its contents from
4 Cobeia and continued to live there until moving to the Cortez house.

5 D. On June 30, 2008, the debtors caused PILP to
6 transfer a business entity owned by PILP, Horseshoe PV Realty
7 Investments, LLC ("HPV"), to Cobeia. At the time of the transfer, HPV
8 owned a free and clear commercial building purchased for \$2.7 million
9 in cash on December 14, 2006. HPV also owned collector automobiles.

10 E. On July 31, 2008, the debtors caused PILP to
11 transfer free and clear real property in Scottsdale, Arizona worth
12 \$500,000.00 to Cobeia.

13 F. On August 6, 2008, the debtors caused PILP to
14 transfer a multi-million dollar house and a condominium owned by PILP
15 in California to Cobeia.

16 12. In the meantime, additional loan defaults continued to
17 occur and litigation was filed against the debtors. The following
18 events occurred:

19 A. On July 1, 2008, a promissory noted owed to Sand
20 Capital, which was guaranteed by the debtors, went into default.

21 B. On July 29, 2008, a promissory noted owed to First
22 Fidelity Bank, NA, which was guaranteed by the debtors, matured and
23 went unpaid.

24 C. On September 1, 2008, the payment due on a
25 promissory note owed to First Horizon Home Loans, a division of First
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1 Tennessee Bank, a debt guaranteed by the debtors, went unpaid, causing
2 a default in the loan.

3 D. On September 1, 2008, the payment due on a second
4 promissory noted owed to Sand Capital, LLC, a debt guaranteed by the
5 debtors, went unpaid, causing a default in the loan.

6 E. On October 1, 2008, the payment due on a promissory
7 noted owed to Evergreen Environmental Development Corp., LLC, a debt
8 guaranteed by the debtors, went unpaid, causing a default in the loan.

9 F. On October 22, 2008, a third group of investors in
10 the debtors' real estate projects, the Goodman family, demanded to see
11 documents related to those investments. The documents were not
12 provided and a lawsuit was filed on February 18, 2009.

13 G. On October 31, 2008, a promissory note owed to
14 Stearns Bank, NA, a debt guaranteed by the debtors, went into default.

15 H. On November 3, 2008, the payment due on a promissory
16 note owed to Bank of Hemet, a debt guaranteed by the debtors, went
17 unpaid, causing a default in the loan.

18 I. On November 14, 2008, two loans owed to Bank of
19 Oklahoma, which were personally guaranteed by the debtors, went into
20 default.

21 J. On November 26, 2008, the debtors were sued in the
22 Maricopa County Superior Court by Lenore Schupak et al. for the
23 appointment of a receiver, an accounting and related relief.

24 K. On December 11, 2008, a promissory note owed to
25 Brown Retail, LLC, a noted guaranteed by the debtors, went into
26 default.

1 L. On January 26, 2009, three separate lawsuits were
2 filed by Bank of Oklahoma, NA due to defaults on promissory notes owed
3 to the bank, each of which were guaranteed by the debtors.

4 13. As part of their scheme to denude themselves of their
5 assets so that their creditors could not recover, the debtors concocted
6 a debt to Greg and Marc, as follows:

7 A. First, the debtors fabricated an alleged debt owed
8 by PILP to Greg and Marc in the amount of \$1,913,900.00.

9 B. Then, the debtors purported to pay the debts
10 ostensibly owed to Greg and Marc by PILP by agreeing to transfer the
11 debtors' interest in BPPE Holding Company ("BPPE") to Greg and Marc and
12 personally signed a promissory note to Greg and Marc for \$871,618.00.

13 C. Finally, Greg and Marc purported to rescind the
14 transfer of BPPE to them, and the debtors agreed to pay Greg and Marc
15 another \$1,042,281.00. As a result, the alleged debt of \$1,913,900.00,
16 which was ostensibly owed to Greg and Marc by PILP, was transformed
17 into two promissory notes from the debtors, one for \$871,618.00 and one
18 for \$1,042,281.00, which were now owed to Greg and Marc by the debtors.

19 14. The debtors then began to transfer cash to Greg and Marc
20 as follows:

21 A. On August 8, 2008, the debtors received a refund of
22 a deposit in the amount of \$100,000.00. Five days later, on August 13,
23 2008, the debtors transferred \$15,000.00 to Greg and \$20,000.00 to
24 Marc.

25 B. On February 10, 2009, the debtors received a federal
26 income tax refund in the amount of \$514,458.66 and deposited that check
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1 into their account at Compass Bank. Instead of paying their other
2 creditors, the debtors, on February 11, 2009, transferred \$200,000.00
3 of the tax refund to Greg and \$200,000.00 to Marc.

4 C. On March 9, 2009, less than 30 days later, the
5 debtors transferred another \$100,000.00 from the half million dollar
6 tax refund, this time \$50,000.00 to Greg and \$50,000.00 to Marc.

7 D. On November 2, 2009, the debtors received a second
8 income tax refund, this time for \$638,294.41. Again, instead of paying
9 their other creditors, the debtors, on the same day, transferred
10 \$85,000.00 of the tax refund to Greg and \$105,000.00 to Marc. At the
11 same time, the debtors transferred \$400,000.00 of the refund to Cobeia.

12 E. On January 13, 2010, the debtors transferred
13 \$10,000.00 to Greg and \$10,000.00 to Marc.

14 F. On March 30, 2010, the debtors received a third
15 income tax refund, this time for \$75,390.00. Again, instead of paying
16 their other creditors, the debtors, on the very next day, transferred
17 \$65,000.00 of the tax refund to Marc.

18 15. The transfers of the debtors' assets to Greg and Marc on
19 January 13, 2010 and March 30, 2010 occurred less than one year prior
20 to the filing of this bankruptcy case and were intended to hinder,
21 delay and defraud the creditors of the debtors and is grounds for the
22 denial of their discharge pursuant to 11 U.S.C. §727(a)(2)(A).

23 16. When the debtors filed their Statement of Financial
24 Affairs in this case on January 18, 2011, they failed to disclose any
25 of the transfers that they made to Greg and Marc as set forth in ¶¶14
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1 B, C, D, E and F, each of which occurred during the two years prior to
2 the filing of this bankruptcy case, despite their obligation to do so.
3 Moreover, even if Greg and Marc were legitimate creditors of the
4 debtors, the debtors failed to disclose the payments made to Greg and
5 Marc as set forth in ¶¶14E and F, both of which occurred during the one
6 year prior to the filing of this bankruptcy case, despite their
7 obligation to do so.

8 17. The failure of the debtors to disclose these transfers
9 to their children was knowing and fraudulent and is grounds to deny the
10 discharge of the debtors pursuant to 11 U.S.C. §727(a)(4)(A).

11 18. After allegedly agreeing to pay Greg and Marc over \$1.9
12 million dollars to give up their interest in PILP, the debtors then
13 allowed the books and records of PILP to be thrown away at the end of
14 2009, even though the 2008 federal income tax return of PILP reflected
15 that PILP had over \$9.2 million in assets. The debtors' failure to
16 maintain the books and records of PILP is grounds to deny their
17 discharge pursuant to 11 U.S.C. §727(a)(3).

18 19. On January 28, 2009, the debtors transferred \$48,000.00
19 to Cobea, ostensibly as rent on the Paradise Valley residence that the
20 debtors had previously conveyed to Cobea for no consideration.

21 20. On March 16, 2009, the debtors transferred their life
22 insurance with Guardian Life Insurance, which had a cash value in
23 excess of \$223,000.00, to a life insurance trust.

24 21. On March 23, 2009, the debtors transferred four life
25 insurance policies with State Farm Insurance, which had a cash value
26 in excess of \$105,000.00, to a life insurance trust.

1 22. On April 6, 2009, the debtors transferred \$24,000.00 to
2 Cobea, ostensibly as "summer rent" for the real property in California
3 that the debtors had previously conveyed to Cobea for no consideration.

4 23. On May 22, 2009, the debtors caused \$100,000.00 to be
5 transferred from the brokerage account of PILP to Cobea.

6 24. On June 19, 2009, the debtors caused \$100,000.00 to be
7 transferred from the brokerage account of PILP to an account in the
8 name of Cobea at Compass Bank. Both of the debtors held signature
9 authority over the Cobea account, and the funds in the account were
10 then used to pay the debtors' personal expenses.

11 25. On August 4, 2009, the debtors received an income tax
12 refund of \$1,040,040.91. On August 5, 2009, the debtors used
13 \$1,000,000.00 of the tax refund to pay down the loan on the real
14 property in California which the debtors had previously conveyed to
15 Cobea for no consideration.

16 26. On August 10, 2009, the debtors received an income tax
17 refund of \$153,120.78. On August 10, 2009, the debtors paid
18 \$150,000.00 from that refund to settle a pending lawsuit which named
19 the debtors, Cobea and Xanthipi as defendants. Cobea and Xanthipi were
20 released from the lawsuit in exchange for the debtors' payment.

21 27. On October 6, 2009, the debtors caused PILP to transfer
22 \$90,000.00 to Cobea.

23 28. On November 3, 2009, the debtors transferred \$400,000.00
24 to Cobea.

25 29. On December 15, 2009, Alex Papakyriakou instructed his
26 accountant, Leon Boroda, to write off the loans that Cobea and HPV owed
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1 to PILP by reducing the debtors' capital account in PILP, and thereby
2 eliminating over \$11 million of assets of PILP.

3 30. On January 19, 2010, the debtors caused \$30,000.00 to be
4 transferred from PILP's brokerage account to Greg.

5 31. On February 17, 2010, the debtors caused \$27,937.98 to
6 be transferred to Cobea's account at Legacy Bank.

7 32. On October 29, 2010, the debtors transferred \$6,000.00
8 to Cobea's account at Legacy Bank.

9 34. The Court has determined that PILP is an alter ego of
10 the debtors.

11 35. When the debtors filed their Statement of Financial
12 Affairs in this case on January 18, 2011, they failed to disclose any
13 of the transfers set forth in ¶¶19, 20, 21, 22, 23, 24, 25, 26, 27, 28,
14 29, 30, 31 and 32, each of which occurred during the two years prior
15 to the filing of this bankruptcy case, despite their obligation to do
16 so.

17 36. The failure of the debtors to disclose these transfers
18 were knowing and fraudulent and is grounds to deny the discharge of the
19 debtors pursuant to 11 U.S.C. §727(a)(4)(A).

20 37. At Item 10 of their Statement Of Financial Affairs at
21 Admin. Dkt. No. 30, the debtors falsely reported that they had sold
22 their American Airlines frequent flyer miles to Marc on December 29,
23 2010, just 4 days before this bankruptcy case was filed, for \$7,000.00.
24 In fact, no such sale ever occurred, as American Airlines does not
25 permit the sale or assignment of frequent flyer miles.

38. The debtors' false statement regarding the sale of their American Airlines frequent flyer miles was knowing and fraudulent and constitutes a false oath or account and is grounds for the denial of the debtors' discharge pursuant to 11 U.S.C. §727(a)(4)(A).

39. If in fact the alleged sale of the frequent flyer miles actually occurred, then this transfer by the debtors was intended to hinder, delay and defraud their creditors and is grounds for the denial of their discharge pursuant to 11 U.S.C. §727(a)(2)(A).

40. At Item 10 of their Statement Of Financial Affairs at Admin. Dkt. No. 30, the debtors falsely reported that they had assigned their membership deposit at Whisper Rock golf course to Cobea. In fact, no such transfer ever occurred, as Whisper Rock does not allow corporate ownership of memberships at Whisper Rock.

41. The debtors' false statement regarding the sale of their Whisper Rock deposit was knowing and fraudulent and constitutes a false oath or account and is grounds for the denial of the debtors' discharge pursuant to 11 U.S.C. §727(a)(4)(A).

42. At the time of the filing of this bankruptcy case, the debtors were in possession, custody and control of all of their household furnishings which were ostensibly sold to and leased back from Cobea, along with two luxury Mercedes Benz automobiles which were ostensibly owned by Cobea, even though, as late as February 26, 2010, PILP was still making lease payments of \$4,187.58 per month to Mercedes Benz.

43. The debtors failed to disclose their possession, custody and control of these assets at Item 14 of their SOFA, despite their

1 obligation to do so. Instead, they falsely reported that they were not
2 in possession or control of any property which belonged to another
3 person.

4 44. The debtors' false statement regarding their possession,
5 custody and control of these assets was knowing and fraudulent and
6 constitutes a false oath or account and is grounds for the denial of
7 the debtors' discharge pursuant to 11 U.S.C. §727(a)(4)(A).

8 **WHEREFORE,** the trustee prays:

9 A. For the entry of an order denying the debtors' discharge
10 pursuant to 11 U.S.C. §727(a)(2)(A), §727(a)(3), and §727(a)(4)(A).

11 DATED January 31, 2012.

12 **TERRY A. DAKE, LTD.**

13
14 By /s/ TD009656
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